



Senior Executive Service Performance-Based Pay System

Working for America

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

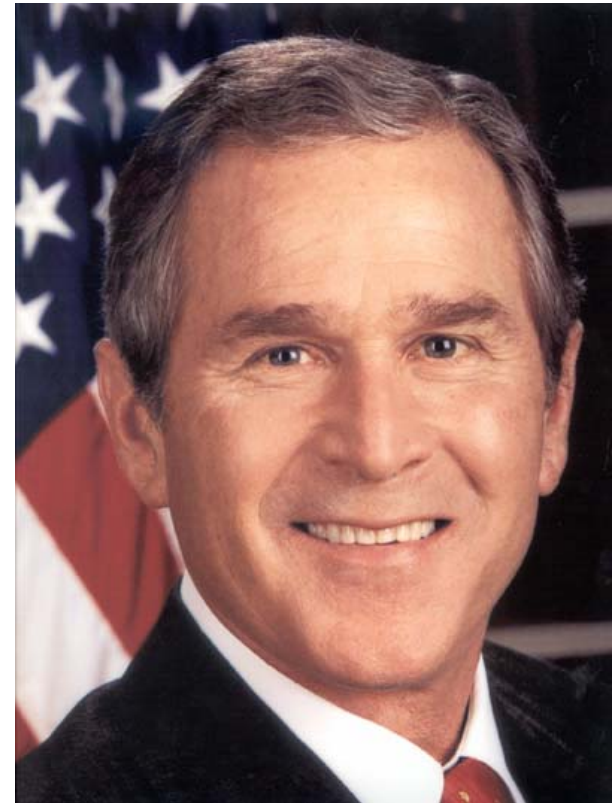
June 15, 2005



Working of America

“...You shouldn't be leading an organization if you don't see the world as a better place.”

President George W. Bush
January 9, 2004



Regulations

- Interim certification regulations published in Federal Register July 29, 2004
- Final pay regulations effective December 6, 2004



SES Appraisal System Certification Criteria

- **Alignment** - Individual performance expectations must be derived from/linked to the agency's mission, strategic goals, program/policy objectives, and/or annual performance plan
- **Consultation** - Individual performance expectations with senior employee involvement must be communicated at the beginning of the appraisal cycle
- **Results** - Individual expectations must be demonstrable, measurable, and observable, focusing on organizational outputs and/or outcomes, milestones, and other deliverables



SES Appraisal System Certification Criteria

- **Balance** - Individual performance expectations must include measures of employee and customer/stakeholder satisfaction and/or leadership competencies, in addition to results
- **Assessments and Guidelines** - The agency head/designee provides assessments comparing performance of agency and each major program and functional areas with agency's Government Performance Act (GPRA) goals and results
- **Oversight** - Agency head/designee must assure (1) appraisal process makes meaningful distinctions based on relative performance, (2) results are consistent with the agency's performance, and (3) pay adjustments & awards recognize individual/organizational performance



SES Appraisal System Certification Criteria (Cont.)

- **Accountability** - The agency head or designee must assure that individual executive ratings (as well as the ratings of the executive's subordinates) are linked to and consistent with program performance and results
- **Performance Differentiation** - The agency must provide for at least one rating level above Fully Successful (must include an Outstanding level), and in the application of those ratings, make meaningful distinctions among executives based on their relative performance
- **Pay Differentiation** - The agency must assure that the largest pay adjustments, and highest pay levels (base and performance awards) are provided to its highest performers, and that overall, the distribution of pay rates in the SES rate range and pay adjustments reflects meaningful distinctions among executives, based on their relative performance



Types of Certification

- **Full Certification**

- System design with application
- Granted for 2 calendar years
- With OMB concurrence

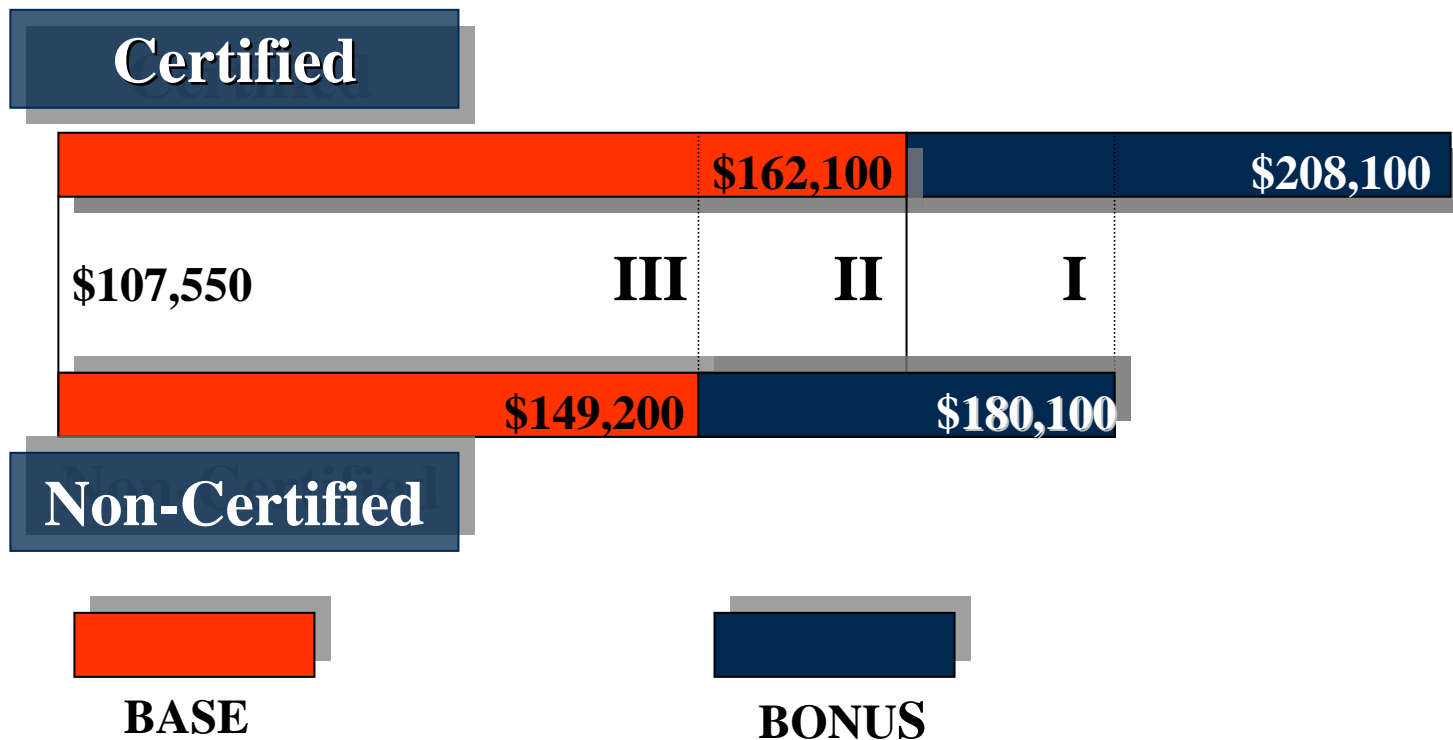
- **Provisional Certification**

- System design without application
- Granted for 1 calendar year
- With OMB concurrence



The New SES Pay/Performance System

SES Minimum and Maximum Rates



The Foundation for a “Modern” SES Pay System

United States Office Of Personnel Management



Setting and Adjusting Rates of Pay

- Agencies may set pay at any rate within SES rate range based on individual performance and/or contribution to agency's performance
- Rates above level III must be reserved for those senior executives who have demonstrated the highest levels of performance and/or made the greatest contributions to agency's performance
- Setting rates above level III must be approved by the agency head or designee



Increasing or Reducing Rates of Pay

- No minimum or maximum pay increase upon initial appointment to the SES. Agencies may consider applicable locality payment
- Senior executives with outstanding rating must be considered for an annual pay increase
- Agency may reduce pay by not more than 10 percent for performance and/or disciplinary reasons



The 12 Month Rule

- **Agencies may adjust pay not more than once during any 12-month period**
- **Actions considered a pay adjustment**
 - Setting pay upon initial appointment or reappointment to SES
 - Any pay adjustment (increase or reduction), including pay increases resulting from waiver of 12-month rule



The 12 Month Rule

- **Actions not considered a pay adjustment**
 - Conversion to SES pay system
 - Zero pay adjustment
 - Additional increase in Executive Schedule rates



Exceptions to 12-Month Rule

Head of agencies or designee may make exceptions to 12 month rule

- For an exceptionally meritorious accomplishment
- For a senior executive who is reassigned to a position with substantially greater scope and responsibility
- For a senior executive who is critical to the mission of the agency
- To align a senior executive with the agency's appraisal and pay adjustment cycle



Adjustments in Pay After Certification

- Agencies with certified performance appraisal systems may increase a senior executive's rate of basic pay up to level II if warranted and if the senior executive is otherwise eligible (Agencies may make limited exceptions to the 12-month rule)
- Senior executive will not suffer a reduction in pay if the agency's certification is suspended or if senior executive transfers to an agency without certification



Higher Aggregate Limitation on Pay

- Agencies with certified performance appraisal systems must apply the higher aggregate limitation on pay up to the Vice President's salary for SES members and employees in SL/ST positions
- Because there is a higher aggregate limitation on pay, certified agencies must make appropriate corrective payments (i.e., pay amounts that were deferred to next calendar year)



Status of Agency System Certification

- Certification in 2004:
 - 32 agency systems received provisional (1 calendar year with extension for pay determinations based on 2004 performance)
 - 2 agency systems received full (covers 2004 and 2005)
- Certification in 2005 (to date):
 - 21 agency systems received provisional (1 calendar year with extension for pay determinations based on 2004 performance)



2nd-Year Provisional Requests

- Rating Distribution and Pay Distinctions
 - Captured on Spreadsheet
 - Represents criteria numbers 8 and 9
- Organizational Performance Assessment and Guidance
 - Can be a description written for this purpose, or can be copies of guidance memos, organizational rating forms, or other agency documentation
 - Represents criteria number 5



Agency Certification Requests for CY 2006

- OPM will conduct rigorous review of systems, performance plans, and rating and pay distinction data for all certification requests
- Provisional Certification requirements:
 - criteria 1, 2, 3, and 4 information required for all provisional requests, criteria 7 to show that accountability is part of the executive performance plan, and
 - criteria 5, 8, and 9 information for all subsequent provisional requests
- Full certification requests must include complete information on each of the nine criteria
 - Full certification requires 2 years of agency data showing meaningful distinctions in executive ratings and pay
 - A full accountability system and extensive oversight is required

